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10 AUG 1967

MEMORANDUM FOR: Deputy Director for Intelligence

SUBJECT : Proposed Reorganization of the Office of
Economic Research (OER)

1. PURPOSE:

This memorandum discusses problems associated with the present organization of the Office of Economic Research and requests approval of a proposed reorganization. It also outlines alternative proposals which were considered and rejected.

2. PROBLEMS OF THE PRESENT ORGANIZATION:

Three major organizational problems affect the operation of OER at the present time.

a. Geographic and Functional Organization

OER's present organization is a mixture of two geographic divisions and two functional divisions (including e.g., agriculture, shipping, construction). Functional research is essential to the mission of the Office both because of its direct contribution to policy and action officials and because of its support to more aggregative analysis. Normally, however, the intelligence problem is one which is first geographic, and secondarily functional.

Increasingly, the intelligence problems referred to the Office on which the senior policy level of the Government seeks assistance are geographic -- Vietnam, Communist China, Rumania, the USSR, UAR, and Zambia/Rhodesia being outstanding recent examples. Further, placing the functional intelligence research within a geographic division which is also carrying out the necessary aggregative studies clearly should bring about more efficiency and tighter integration. Finally, we would expect that economic research organized primarily along geographic lines should permit smoother interrelationships within the Agency, particularly with OCI, ONE, and DDP, as well as with the Department of State.

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b. Span of Control

The transfer of the Military-Economic Research Area to the Office of Strategic Research and the abolition of the Economic Research Area left the Office with four divisions reporting to the Director of OER. As a consequence, the research divisions were left with inadequate substantive supervision because the Director and his Deputy are unable to provide adequately all of the substantive guidance and review formerly provided by the Chief of the Economic Research Area. I believe it is highly desirable to return to a system of area administration similar but not identical to the arrangement previously employed in OER.

c. Shifting Priorities and Supervisory Overload

Over the past two years OER has made a number of temporizing adjustments to meet the ever-growing burden of research on Vietnam and on other countries of Indochina. Not only has this taken on a patchwork character, but it has imposed an unreasonable burden on the Chief of the Trade and Services Division who is also charged with responsibility for directing research and support on other subjects involving continuous pressures from our customers. The most demanding of these pressures comes from trade control officials in State and Commerce. As a consequence of this imbalance, supervision of many of the Division's activities other than those related to the war in Vietnam have suffered.

3. RECOMMENDATIONS:

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In order to resolve the foregoing problems, [REDACTED] and I have had a number of meetings with the Division Chiefs and with certain of the Branch Chiefs to consider alternative means of reorganizing the Office. After consideration of the alternative proposals summarized in TAB C, I recommend that OER be reorganized along the following lines:

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a. Geographic Orientation

(1) Regroup most of the present research components of the Office into four geographic divisions as follows:

USSR-EK
Communist China
Indochina
Free World

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(2) Within these geographic divisions, integrate functional components while maintaining their identity as research units.

(3) Assign to a fifth division -- the International Services Division -- responsibility for research on services, commodities, and production activities which either transcend national and regional boundaries (e.g., certain trade activities), or are covered by a small number of experts responsible for both Communist and Free World countries (e.g., construction).

b. Span of Control

(1) Reduce the span of control of the Director by grouping the five divisions into two research areas to be designated the Communist Area and the International Area.

(2) Streamline the offices of the Area Chiefs by centralizing staff support in the office of the Director. Charge the Area Chiefs primarily with the planning and control of research and with substantive review.

c. Shifting Priorities and Supervisory Overload

(1) Separate the work on Vietnam from the Trade and Services Division (to be abolished) and integrate with related research in an Indochina Division established per 3.a.(1) above.

(2) Separate trade control support from the Trade and Services Division and establish this activity as a staff in the office of the Chief of the Communist Area.

d. Senior Technical Advisors

Designate senior technical advisors for the Office to cover such subjects as transportation, agriculture, petroleum, etc. The reorganization proposed above, assigning functional specialists to work within geographic components, will fragment most of the functional branches which previously covered more than one geographic area. The identification of senior technical advisors would restore some unity to functional research activities. While these advisors would have regular line responsibilities within the Divisions, they also would be consulted on the more complex functional studies and on certain technical questions by analysts from any branch. They would also serve as the point of contact for the Office with specialized government agencies (e.g., the Department of Transportation) and with expert


consultants outside of Government. Finally, they would serve as advisors to the Director on such matters as the training of functionally specialized personnel.

e. Discussion of Proposals

(1) The foregoing recommendations are outlined in an organization chart at TAB A and are discussed in more detail in TAB B.

(2) Alternative proposals which were considered and rejected are reviewed in TAB C.

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Director
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Attachments: (3)
TABs A, B, and C
as stated

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Orig. & 1 - Addressee
2 - OD/OER
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